

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Federal-State Joint Board on)
Universal Service)

CC Docket No. 96-45

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COMMENTS OF
NATIONAL CONGRESS FOR COMMUNITY ECONOMIC DEVELOPMENT

The National Congress for Community Economic Development (NCCED), by its attorneys, hereby submits its Comments in the above-captioned proceeding.

I. Introduction and NCCED's Interest in the Proceeding

NCCED is a national membership organization of community development corporations (CDCs) committed to community-based economic development. Founded in 1970, its members represent two-thirds of the more than 1,200 CDCs nationwide, and all focus their efforts on promoting community revitalization and self-sufficiency in underserved and/or economically distressed communities. Toward this goal, its members have instituted a number of local initiatives, such as industrial and small business development, employment training, housing renovation and construction, and real estate development. Because private/public partnerships are critical components of revitalization efforts, NCCED members often incorporate into their programs various tax and other development incentives, such as: Low Income Housing Tax Credits, Empowerment and Enterprise Zones, local tax and wage initiatives and, for those eligible, Section 13311 business tax credits.

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NCCED through its member CDCs focus on underserved communities and, thus, is keenly familiar with the daunting challenges facing residents of low-income neighborhoods. Moreover, because CDCs are on the "front lines" of community revitalization, they realize that even as the national economy surges forward their communities fall farther behind. CDCs also recognize that in the fast evolving information and technology age, the divide between their communities and their more affluent counterparts will widen precipitously if the present trend is left unchecked. This growing gap in economics and information will make it increasingly more difficult for NCCED to meet its challenge of attracting resources into rural and urban communities.

As the national representative for the CDC community, NCCED provides various services to its members which include, but are not necessarily limited to, research and special projects, training, fundraising, advocacy and technical assistance. Two years ago, NCCED launched its telecommunications project which, *inter alia*, seeks to promote private/public partnerships between the telecom/information industries and the CDC community in order to accomplish its goals of: (i) creating new sources of capital through CDCs for small telecom businesses and (ii) using that capital to attract the economic resources mobilized by and through telecom into rural and urban communities represented by CDCs.¹ These revenue streams will then be used toward NCCED objectives, including: (a) creating jobs in economically distressed areas; (b) developing training modules which foster skills development in 21st century technology; © facilitating improvements in health care and

See TELECOMMUNICATIONS: Linking Communities and Capital (February 1997) (for specific examples of successful private/public partnerships facilitated by NCCED.).

education through advanced technologies; and (d) encouraging the growth of small business in urban and rural communities through capital and technical support, including providing local entrepreneurs with business loans and equity investments. The NCCED believes these goals can be accomplished in part by attracting a portion of the billions in technology revenue to urban and rural communities.

II. The Final Rules Must Promote Universal Connectivity

The Commission is to be commended for its deliberative decision-making in this proceeding, particularly in pursuit of the fundamental goal of achieving universal access and service to all persons regardless of their geographic location or economic status. NCCED supports fully the need for universal connectivity and, further, submits its belief that accelerated deployment of the Information Superhighway and advanced telecommunications to underserved areas will play a critical role in community development and meeting the goals of the NCCED and CDCs.

It is well established that to deploy advanced technology unevenly among communities is to ultimately create a society of information – and – economic "haves" and "have-nots".² Seeking to avoid such a disastrous result, a number of national initiatives have been undertaken, including the Computer Literacy Challenge Fund (under the Department of Education, 1996), and the Telecommunications and Information Assistance Program (TIIAP)

² See FALLING THROUGH THE NET: Survey of the "Have Nots" in Rural and Urban America. NTIA (July, 1995) hereinafter "NTIA Report").

under NTIA (which commenced in 1994). Of course, the Telecommunications Act of 1996³ (particularly § 706 - deployment of advanced technology, § 708 - education technology, and § 709 - Telemedicine) is expected to help accelerate deployment of advanced technology to all citizens. But perhaps no initiative will prove more significant than this proceeding in ensuring that all persons have equal access to new technology systems and services.

To the extent this overarching goal can be achieved, NCCED believes its members -- as well as others involved in community revitalization -- will be able to launch new and innovative community-based programs which promote small business development, economic growth, skills training and lifelong learning, increased access to health care through community based telemedicine nodes, enhancement of educational achievement for elementary schools, secondary schools and libraries and, in general, facilitate a move from a welfare system to one of self-sufficiency in rural and urban America.

In view of the foregoing, NCCED respectfully offers the following categorical comments in this proceeding:

1. In structuring the operation of the universal service fund, the FCC should continue to take steps to ensure that the goal of universal connectivity is achieved. It is therefore appropriate and necessary to consider non-rate factors in evaluating affordability and comparability. Indeed, all relevant factors should be considered by the Commission in determining which persons and communities will receive the benefits of universal service, so as to halt further disconnect of persons within low income or rural communities.

³ Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996), 47 U.S.C. §§ 151 *et. seq.*

For example, the need to consider non-rate factors in determining affordability is underscored in the FCC's recent report on Telephone Penetration Report, released February 24, 1997. That Report shows that while penetration for the lowest income households increased over the period 1984 - 1996, such increase did not diminish the gap between that group and the next highest income group. Further, because this data is in the aggregate (i.e., it includes states with and without lifeline programs), the data reveals the gap actually widened in states where lifeline programs did not exist.⁴ On May 29, 1997, the Commission released its Subscribership Report, which is based on a March, 1997, survey conducted by the Census Bureau. The data reveals the following: telephone subscribership for households with incomes below \$5,000 was at 77.1% for the period, whereas households with incomes over \$75,000 had a 99.0% penetration. As a further stratification, the data shows the penetration rate for White households was 95.0%, whereas households headed by Blacks and Hispanics had penetration rates of 87.3% and 86.3%, respectively.

These facts provide ample support that although the penetration rate is increasing for those living in poverty, the gap in subscribership and penetration between poor persons and the next level income group remains static and, in some instances, even widened. This underscores the need for the Commission to consider factors other than rate-based factors in determining who can afford to be connected to the Information Superhighway and advanced telecom. Unless non-rate factors are taken in to consideration, a significant percentage of the

The Telephone Penetration Report shows the following: states with lifeline programs increased telephone penetration by 2.5%, while states without lifeline programs increased penetration by merely 0.5%. NCCED understands that the Lifeline and Linkup programs, with slight modifications, are being extended to all states.

U.S. population will likely face limited or reduced participation in the fast-dawning information and technology age.

2. The Commission should take steps to ensure that community-based telecom providers which provide essential services to urban and rural communities are not denied participation in universal service support mechanisms simply because they do not offer each component or function eligible for discount. It is important to remind the Commission that the Telecom Act is designed to promote competition and, as a matter of course, permit new entrants. It is likely that some community-based businesses/service providers will install community-based (local-loop) broadband systems, which would then be used to provide bundled (and discounted) services to community residents. However, such community-based, broadband interconnect companies may have neither the means nor desire to deliver a full panoply of services. Such a community-based business should not be denied support from the Universal Service Fund simply because it does not have a far-flung network. The Telecom Act does not mandate such a result, and it is not necessary to exclude such beneficial service providers from support mechanisms contemplated under the Universal Service Fund. We therefore urge the Commission not to do so.

The goals of universal access and connectivity will be more swiftly and aggressively met by taking steps to ensure participation by rural and urban community-based telecom providers in universal service support mechanisms. The NCCED has worked tirelessly with member CDCs and other community-based companies to remove many of the barriers faced by community-based telecom companies that provide services and employment opportunities to underserved communities. NCCED believes further barriers will be removed by allowing

community-based telecom companies to participate in the Universal Service Fund without requiring them to provide every function eligible for discount. In addition, this will likely encourage partnering by and among service providers which, in turn, will accelerate deployment of broadband capacity in underserved communities.

3. The FCC should conduct periodic inquiries to ensure that advanced telecom is actually being deployed in a reasonable and efficient manner to all persons regardless of geographic location and economic status, and to the extent this is not occurring the Commission should take steps to remove barriers which hinder that process. For example, it is beyond debate that the telephone, as the connection link for the internet, provides a window to the world. But while many (if not most) schools in affluent communities are fully connected to the "Net" via broadband capacity, the direct opposite is the case in low-income communities. Sections 706 and 708 of the Telecom Act were included precisely for the purposes of accelerating deployment of advanced technology in schools and classrooms, and ensuring that such deployment is done at reasonable costs.

In mandating the timely and reasonable deployment of advanced technology in schools and libraries, the Telecom Act also requires such deployment to be in consistent with the public interest. Toward this end, Congress created the Education Technology Funding Corporation for the purpose of stimulating deployment of high capacity, interactive networks in schools and libraries, and empowered this entity with the ability to attract funding from the private and public sectors in order to accomplish its statutorily prescribed mission.

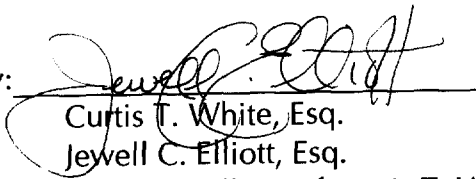
Given the foregoing, NCCED submits that Sections 706 and 708 provide sufficient reason and authority for the Joint Board to adhere to these statutory directives.

III. Conclusion

For all of the foregoing reasons, NCCED urges adoption of its recommendations.

Respectfully submitted,

NATIONAL CONGRESS FOR
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CERTIFICATE OF SERVICE

I, Jewell C. Elliott, Esq., do hereby certify that true copies of the foregoing Comments were forwarded this 5th day of November, 1997, via First Class U.S. Mail, postage prepared, the parties listed on the attached service list.



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